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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Schnitzius & Vaughan LLC
N/A Acquest Advisers LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

700 Louisiana, Suite 2450

(No. and Street)

Houston

Texas

77002

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Tom Schnitzius 713-227-4412

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

W. Harris Wooten

(Name - if individual, state last, first, middle name)

770 Post Oak Lane, Suite 250

Houston

Texas

77056

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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**THOMSON
FINANCIAL**

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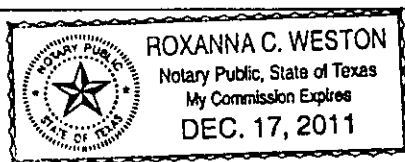
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Tom Schnitzius, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Schnitzius & Vaughan LLC, as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Roxanna Weston
Notary Public

[Signature]
Signature
Designated Principal
Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Schnitzius & Vaughan LLC

Financial Statements and Schedules

December 31, 2007 and 2006

(With Independent Auditor's Report Thereon)

Independent Auditor's Report

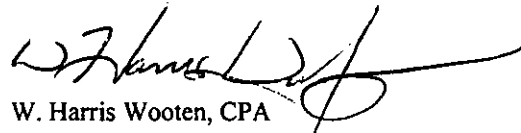
The Members of
Schnitzius & Vaughan LLC

I have audited the accompanying statements of financial condition of Schnitzius & Vaughan LLC (a Texas Limited Liability Company) as of December 31, 2007 and 2006 and the related statements of income, changes in members' capital and cash flows for years ended December 31, 2007 and 2006 that you are filing pursuant to Rule 17a-5 under the Securities and Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Schnitzius & Vaughan LLC as of December 31, 2007 and 2006 and the results of its operations and its cash flows for the years ended December 31, 2007 and 2006 in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I through III is presented for purposes of additional analysis and is not required for a fair presentation of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities and Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in my audits of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


W. Harris Wooten, CPA

February 14, 2008

Houston, Texas

SCHNITZIUS & VAUGHAN LLC
Statements of Financial Condition

Assets	December 31,	
	2007	2006
Cash, including interest-bearing deposits	\$ 59,058	\$ 144,475
Receivables from clients	51,850	10,283
Other receivables	2,281	8,121
Investments (Note 2)	29,694	18,468
Office equipment, at cost, less accumulated depreciation of \$172,097 and \$161,138 in 2007 and 2006, respectively	60,266	38,700
Other assets	10,739	8,548
	<u>\$ 213,888</u>	<u>\$ 228,595</u>
 Liabilities and Partners' Capital		
Checking Account- cash over draft	\$ 90,779	\$ -
Accounts payable and accrued expenses	28,240	38,055
	<u>119,019</u>	<u>38,055</u>
Members' capital (notes 3, 4 and 5):	94,869	190,540
	<u>94,869</u>	<u>190,540</u>
	<u>\$ 213,888</u>	<u>\$ 228,595</u>

The accompanying notes are an integral part of these financial statements.

SCHNITZIUS & VAUGHAN LLC
Statements of Income
For the years ended December 31, 2007
and 2006

	December 31,	
	2007	2006
Revenues:		
Fee income	\$ 1,205,185	\$ 877,210
Interest income	583	1,172
Other Income- NASD & NYSE member consolidation	35,000	-
Unrealized investment gain (Note 2)	11,226	2,086
	<u>1,251,994</u>	<u>880,468</u>
Expenses:		
Advisory Services	438,544	-
Broker dealer expenses	21,433	31,151
Employee compensation	213,042	200,083
Member and employee benefits	16,625	11,344
Office rent	103,264	86,955
Office expense	104,311	148,238
Depreciation	10,959	6,302
Payroll and property taxes	19,519	16,790
Bad debt	119	-
	<u>927,816</u>	<u>500,863</u>
Net Income (Loss)	<u>\$ 324,178</u>	<u>\$ 379,605</u>

The accompanying notes are an integral part of these financial statements.

SCHNITZIUS & VAUGHAN LLC
Statement of Changes in Members' Capital
For the years ended December 31, 2007
and 2006

	<u>Total Members' Capital</u>
Balance at December 31, 2005	\$ 248,798
Net income (loss) for the year ended December 31, 2006	379,605
Distribution to members	<u>(437,863)</u>
Balance at December 31, 2006	<u>\$ 190,540</u>
Net income for the year ended December 31, 2007	324,178
Contribution from members	153,139
Distribution to members	(572,988)
Balance at December 2007	<u>\$ 94,869</u>

The accompanying notes are an integral part of these financial statements.

SCHNITZIUS & VAUGHAN LLC
Statements of Cash Flows
For the years ended December 31, 2007
and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net earnings	<u>\$ 324,178</u>	<u>\$ 379,605</u>
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation	10,959	6,302
Investment loss (gain)	(11,226)	(2,086)
Changes in assets and liabilities:		
(Increase) decrease in receivables from clients and others	(35,727)	(4,248)
(Increase) decrease in prepaid expenses	(2,191)	(8,148)
Increase (decrease) in accounts payable and accrued expenses	(9,815)	35,664
Total adjustments	<u>(48,000)</u>	<u>27,484</u>
Net cash provided (used) by operating activities	276,178	407,089
Cash flows used in investing activities:		
Purchase of office equipment	(32,525)	(17,735)
Purchase of common stock	-	(4,800)
Members' Contribution	153,139	-
Members' distribution	<u>(572,988)</u>	<u>(437,863)</u>
Net increase (decrease) in cash	<u>(176,196)</u>	<u>(53,309)</u>
Cash at beginning of period	<u>144,475</u>	<u>197,784</u>
Cash at end of period	<u>\$ (31,721)</u>	<u>\$ 144,475</u>
Supplemental disclosure of cash flow information -		
Cash paid during the year for interest	<u>0</u>	<u>0</u>

Cash includes cash and cash equivalents.

The accompanying notes are an integral part of these financial statements.

SCHNITZIUS & VAUGHAN LLC

Notes to Financial Statements

December 31, 2007 and 2006

(1) Summary of Significant Accounting Policies

Schnitzius & Vaughan LLC ("S&V"), a Texas Limited Liability Company, was formed October 1, 1987, and effective January 31, 2007 was converted from a Texas General Partnership. S&V is a member of the Financial Industry Regulatory Authority (FINRA). S&V acts primarily as a financial consultant working with clients to obtain financing or as an intermediary in merger or acquisition transactions.

Depreciation of office equipment is provided using accelerated depreciation methods based on estimated useful lives of five to seven years.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

S&V is recognized as a limited liability company under the Internal Revenue Code and therefore does not provide for federal income taxes.

(2) Investments

Investments represent 600 shares of common stock recorded at their fair value. As of December 31, 2006, one tranche for 300 shares of another company was exercised at \$16 per share or \$4,800. As of December 31, 2005, one tranche for 300 shares of another company was exercised at \$15 per share or \$4,500. The Company recognized an unrealized gain on this stock of \$11,226 and \$2,086 as of December 31, 2007 and 2006, respectively.

(3) Liabilities Subordinated to Claims of Creditors

As of December 31, 2007 and 2006, and for the years ended December 31, 2007 and 2006, S&V had no liabilities subordinated to the claims of general creditors.

(4) Minimum Capital Requirements

S&V is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Partners' capital may be restricted as to payment of distributions if this ratio exceeds 10 to 1. At December 31, 2007 and 2006, S&V had net capital of (\$39,391) and \$122,118, respectively, which exceeded (lacked) its required net capital of \$5,000 by (\$44,391) and \$117,118, respectively. S&V's ratio of aggregate indebtedness as to net capital was 3.0214 to 1 and 0.3116 to 1 at December 31, 2007 and 2006, respectively.

The net capital deficiency as of December 31, 2007 was corrected on January 4, 2008 and was disclosed to the FINRA.

SCHNITZIUS & VAUGHAN LLC

Notes to Financial Statements

December 31, 2007 and 2006

(5) Company Agreement

The members of S&V have executed a company agreement, which grants preemptive rights to S&V and the existing members in the event of the death, the removal of a member, or the voluntary or involuntary dissolution of the company.

Effective December 17, 2008, the Company redeemed a member's 33.33% interest in the Company for \$102,129. In connection with this redemption, the Company agreed to make payments to the former member if transactions with certain Company clients are completed. The amount of the payments is determined by the Policies and Procedures Agreement for an exiting member. As of December 31, 2007, there are no amounts due to the former member.

On January 23, 2008, the Company, admitted a new member for a capital contribution of \$102,129 for a 33.33% interest in the Company

(6) Concentration of Credit Risk

The Company maintains its cash balances in one financial institution located in Houston, Texas. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. The maximum loss that would have resulted from that risk totaled \$0 and \$0 for 2007 and 2006.

Approximately 83% and 87% of the Company's revenues for 2007 and 2006 was earned from two separate clients.

(7) Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents – The carrying amount reported in the Statement of Financial Condition for cash and cash equivalents approximate its fair value.

Account receivable and accounts payable – The carrying amount reported in the Statement of Financial Condition for accounts receivable and accounts payable approximate its fair value.

Investments – The carrying amount reported in the Statement of Financial Condition for investments approximate its fair value.

Independent Auditor's Report on
Internal Accounting Control
Required by SEC Rule 17a-5

To the Members of
Schnitzius & Vaughan LLC

In planning and performing my audit of the financial statements of Schnitzius & Vaughan LLC, a Texas Limited Liability Company, (S&V), as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered S&V's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of S&V's internal control. Accordingly, I do not express an opinion on the effectiveness of S&V's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by S&V including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that I considered relevant to the objectives stated in Rule 17a-5(g) in making periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because S&V does not carry securities accounts for customers, or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by S&V in any of the following: (1) making the quarterly securities examinations, counts, verifications, and comparisons, and recordation of differences required by rule 17a-13, (2) complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of S&V is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which S&V has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

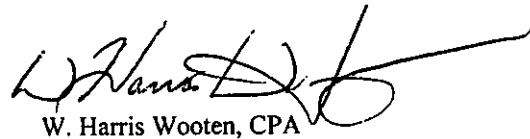
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. I did not identify any deficiencies in internal control and control activities for safeguarding securities that I consider to be material weaknesses, as defined above.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that S&V's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the Financial Industry Regulatory Authority (FINRA), SEC and other regulatory agencies that rely on rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



W. Harris Wooten, CPA

February 14, 2008

Houston, Texas

SCHNITZIUS & VAUGHAN LLC
Computation of Net Capital Under Rule 15c3-1

As of December 31, 2007 and 2006

	December 31,	
	2007	2006
Net Capital:		
Partners' capital	\$ 94,869	\$ 190,540
Less non-allowable assets:		
Receivables	54,131	18,404
Investments	9,124	2,770
Office equipment, net	60,266	38,700
Other assets	10,739	8,548
Net Capital	(39,391)	122,118
Net capital requirement	5,000	5,000
Net capital in excess of required amount	(44,391)	117,118
Net Capital	\$ (39,391)	\$ 122,118
Aggregate indebtedness	119,017	38,055
Ratio of aggregate indebtedness to net capital	-302.14%	31.16%

Note - This computation differs from the computation of net capital under Rule 15c3-1 as of December 31, 2007, filed by Schnitzius & Vaughan with the Financial Industry Regulatory Authority (FINRA) Dealers on Part II of Form X-17A-5, as follows:

	Net Capital	Aggregate Indebtedness
As reported on Part II of Form X-17A-5	\$ (23,486)	\$ 103,112
Audit adjustments	(15,905)	15,905
As presented above	\$ (39,391)	\$ 119,017

SCHNITZIUS & VAUGHAN LLC

**Computation for Determination of Reserve
Requirements Under Rule 15c3-3**

December 31, 2007

Schnitzius & Vaughan LLC is exempt from the reserve requirements and the related computations for the determination thereof under paragraph (k) (2) (i) of Rule 15c3-3 under the Securities Exchange Act of 1934 as S&V carries no margin accounts in connection with its activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to customers and effectuates all financial transactions with customers through unaffiliated clearing organizations.

During the years ended December 31, 2007 and 2006, S&V has maintained its compliance with the conditions for exemption specified in paragraph (k) (2) (i) of Rule 15c3-3.

Schedule III

SCHNITZIUS & VAUGHAN LLC

**Information for Possession or Control
Requirements under Rule 15c3-3**

December 31, 2007

	<u>Market Value</u>	<u>Number of Items</u>
Customers' fully paid securities and excess margin securities not in S&V's possession or control as of December 31, 2007 for which instructions to reduce to possession or control had been issued as of December 31, 2007, but for which the required action was not taken within the time frames specified under Rule 15c3-3.	<u>N/A</u>	<u>N/A</u>
Customers' fully paid securities and excess margin securities for which instruction to reduce to possession or control had not been issued as of December 31, 2007, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.	<u>N/A</u>	<u>N/A</u>

END